

Message Text

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ACTION EB-07

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 9016

C O N F I D E N T I A L TEHRAN 9088

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJECT: NIOC DIRECT EXPORTS

1. IRAN'S EFFORTS TO EXPAND DIRECT EXPORT SALES OF CRUDE OIL AND THE TIGHTENING WORLD OIL MARKET COMBINED IN AUGUST TO ENABLE NIOC TO EXPORT 954,000 BPD FROM THE NIOC/CONSORTIUM OIL FIELDS. THIS COUPLED WITH THE RECORD 1,047,000 BPD EXPORTED IN JUNE(LARGELY ATTRIBUTABLE TO EXPECTATIONS THAT THE JUNE OPEC MEETING IN BALI WOULD INCREASE OIL PRICES) HAS PERMITTED NIOC TO RECOVER FROM ITS POOR FIRST QUARTER (AVERAGE 492,000 BPD) AND REACH AN AVERAGE OF 683,000 BPD FOR THE FIRST 8 MONTHS OF 1976.

2. NIOC HAS SOLD THESE QUANTITIES DESPITE THE 1973 SALES AND PURCHASE AGREEMENT WHICH SPECIFIES THAT IN 1976 ONLY 600,000 BPD (CALLED STATED QUANTITY) IS RESERVED FOR DIRECT SALES BY NIOC TO THIRD PARTIES. NIOC HAS CLAIMED THAT THE CONSORTIUM FAILED TO LIFT AS MUCH OIL THE PAST YEAR AS IT SHOULD HAVE AND THAT, THEREFORE, NIOC IS ENTITLED TO DISREGARD THE STATED QUANTITY PROVISIONS OF THE 1973 AGREEMENT.

3. DURING MUCH OF 1976, NIOC AND THE CONSORTIUM WERE, IN EFFECT, COMPETING FOR IRANIAN LIGHT CRUDE TO EXPORT; AND,
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SHUT -IN SPARE PRODUCTIVE CAPACITY HAS ALMOST ENTIRELY BEEN

OF IRANIAN HEAVY. HOWEVER, THE EMBASSY IS RELIABLY INFORMED THAT WHILE SUPPLIES OF LIGHT ARE AND WILL CONTINUE TO BE TIGHT, NIOC DIRECT EXPORT SELES OF HEAVY ARE NOW INCREASING TO THE POINT WHERE THEY ALSO ARE SHORTLY EXPECTED TO IMPINGE ON CONSORTIUM LIFTINGS. NIOC'S EXPORTS DURING JAN-JUNE WERE 36 PERCENT HEAVY (COMPARED TO 40 PERCENT FOR THE CONSORTIUM). HOWEVER, IN AUGUST THE PERCENTAGE OF HEAVY INCREASED TO 49 PERCENT FOR NIOC DIRECT EXPORTS AND 46 PERCENT FOR CONSORTIUM EXPORTS.

4. IN SIMILAR VEIN, SHAH ON SEPTEMBER 6 TOLD SENATOR BIRCH BAYH THAT NICO HAD PUT ON A CAMPAIGN TO INCREASE OIL SALES TO INDEPENDENTS IN ORDER TO COMPENSATE FOR CONSORTIUM'S FAILURE TO LIFT AS MUCH OIL AS IT SHOULD HAVE DURING THE PAST YEAR. SHAH SAID THAT NIOC IS NOW SELLING ONE MILLION B/D TO INDEPENDENTS.

5. DURING TWO OF PREVIOUS THREE MONTHS NIOC DIRECT EXPORTS HAVE REACHED A LEVAL OF APPROXIMATELY ONE MMB/D. MOREOVER, DURING THE FIRST SEVEN MONTHS OF 1976 NO MAJOR OIL COMPANY PURCHASED DIRECTLY FROM NIOC ANY OF ITS DIRECT EXPORT CRUDE. HOWEVER, A CONSIDERABLE AMOUNT OF IRAN'S STATED QUANTITY OIL HAS BEEN, AND WILL CONTINUE TO BE, EXPORTED TO COMMUNIST COUNTRIES (12.1PERCENT DURING FIRST 7 MONTHS OF 1976); TO INDIA AND BANGLADESH ON SOMETHING LESS THAN STRICTLY COMMERCIAL TERMS (7.3 PERCENT DURING FIRST 7 MONTHS OF 1976); AND, TO ISRAEL (PERHAPS 20PERCENT).

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